



20 SEPTEMBER 2013



NEW ZEALAND THOROUGHBRED RACING PERFORMANCE REPORT 2013

The 2013 NZTR Performance Report records NZTR's performance against its 2013-2015 Business Plan.



NZTR Board

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Chairman's Introduction

This is the second annual Performance Report delivered by New Zealand Thoroughbred Racing. We release these reports annually to all stakeholders after the close of each season.

It records our performance against the 2013-2015 Business Plan to date.

A number of our KPIs were hindered by a particularly high number of abandonments in FY13 – 101 races accounting for 3.6% of all races conducted in FY13.

The FY13 Business Plan contained 39 key performance indicators (KPIs).

Of the total 39 KPIs in our FY13 Business Plan, we:

- met or improved on FY13 Business Plan targets / Achieved KPI on 15 (38%);
- exceeded or met prior year but did not meet FY13 forecasts on 10 (26%); and
- met neither the prior year nor the FY13 forecasts on 14 (36%)

Where KPIs have not been met, we have looked at the reasons and provided explanations.

I trust you find this report informative and helpful in meeting NZTR's duties to be accountable and transparent.

Yours in racing,

Matthew Goodson
Chairman
September 2013

NZTR Performance against all KPI's in the 2013-15 Business Plan

MET OR EXCEEDED FY13 BUSINESS PLAN TARGETS / ACHIEVED KPI 15/39 (38%)		MET NEITHER THE PRIOR YEAR NOR FY13 FORECAST 14/39 (36%)
Meetings with attendance +2,500		Meetings with attendance +10,000
Meetings with attendance +5,000		Number of Pattern Races to total flat races
Apprentice Jockeys		Average domestic (tote & FOB) turnover per race Mondays & Tuesdays combined (excl significant meetings)
Level 3 Stablehand Certificate	EXCEEDED OR MET PRIOR YEAR BUT DID NOT MEET FY13 FORECAST 10/39 (26%)	Average export turnover per race Mondays & Tuesdays combined (excl significant meetings)
Average prizemoney funding per race	Total on-course attendance	Races conducted
NZRB distribution to NZTR	Prizemoney funded by NZTR	Average field size – all races
Races with less than 8 starters	Races before noon on Saturdays and before 12.30pm on other days	Average starts per starter
Races conducted at venues with 10 + meetings per annum	Females as % of individual starters	Number of individual starters
Races conducted at venues with 3-9 meetings	Females as % of individual winners	Number of starts per female starter per year
F&M only mid-week races	Field size – jumps	Number of individual jumps starters
Number of jumps races with less than 8 starters	International royalties on New Zealand thoroughbred racing	Average Track Rating
Percentage of trained starters produced from Strategic training tracks	Gain access to Sky 1 for all New Zealand Monday and Tuesday fixtures	Number of owners
Races conducted at venues with 1-2 meetings	Domestic thoroughbred sales (tote & FOB)	Live foals
Website engagement: Visits per annum to NZTR website	Individual transactions made through Trainers' Service Centre as a % of total Trainer transactions	Domestic market share
NZTR operational expenses		

1 Marketing

Promoting the Sport of Thoroughbred Racing

The FY13 Business Plan established the following Key Performance Indicators for Thoroughbred Marketing:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY12 ACTUAL	FY13 FORECAST	FY13 ACTUAL	RESULT
1. Total On-course attendance	480k	510k	487k	±
2. Meetings with attendance +2,500	44	45	49	✓
3. Meetings with attendance +5,000	13	14	15	✓
4. Meetings with attendance +10,000	3	3	2	×

Notes: FY13 data is NZRB actual on-course attendance data with some meetings estimated based on ticket sales. FY12 attendance data from Business Plan included NZTR estimates for a number of meetings, based on on-course turnover.

✓	Met or improved on FY13 Business Plan targets / Achieved KPI	50%
±	Improved on FY12 but failed to meet FY13 Business Plan targets or materially completed outside the time	25%
×	Failed to improve on FY12 and failed to meet FY13 Business Plan targets	25%

KPI 1: Total on-course attendance

In FY13 487,000 people attended thoroughbred race meetings, up 7,000 from FY12.

Christmas at the Races (CATR) and the Interislander Summer Festival events continue to grow and were again an outstanding success in FY13. Attendance was up 19.9% for Interislander Summer Festival events compared to FY12 and CATR events were up 5% on FY12. The two events also continue to attract new customers to the races with 9.1% of Interislander Summer Festival attendees being first-time attendees and 18.3% for CATR.

KPI 2: Meetings with attendance +2,500

In FY13 49 thoroughbred race meetings attracted crowds of 2,500 or more, up 5 meetings from FY12 and up 14 meetings from FY11.

KPI 3: Meetings with attendance +5,000

In FY13 15 thoroughbred race meetings attracted crowds of 5,000 or more, up 1 meeting from FY12.

KPI 4: Meetings with attendance +10,000

In FY13 2 thoroughbred race meetings attracted crowds of 10,000 or more, down 1 meeting from FY12. The two meetings that exceeded 10,000 in FY13 were New Zealand Cup Day at Riccarton and Wellington Cup Day at Trentham.

In FY13 NZTR has:

1. established, jointly with New Zealand Thoroughbred Marketing (NZTM), the NZ Racing Desk, a thoroughbred industry media service to generate stories across all media platforms including websites, social media, television and print media to promote industry stories and up-coming race meetings and events.
2. consulted with stakeholders and developed, with a brand agency, a brand for the sport of thoroughbred racing in New Zealand to refresh and improve visibility, awareness and sustainability
3. worked with the NZRB on-course marketing and events team to identify what our customers want and how this can be delivered.

4. developed, with NZTM, a brief to retain and promote horse ownership, including an ownership service centre in the new www.nzracing.co.nz website, which will provide a wide range of ownership services and information for existing owners and an associated website built around Social Racing.
5. formulated a comprehensive digital strategy for thoroughbred racing.
6. promoted thoroughbred racing to a non-racing audience, at no cost to the member. Four horses raced under the Social Racing banner:
 - Lady Hauraki (Radio Hauraki)
 - Hoofsain Bolt (ZM radio)
 - Huffer, (Huffer Fashion Label)
 - Conchita (Daniel Vettori)

In a couple of cases the radio station broadcast live from the race meeting and there were also a number of successfully hosted race day hospitality events during the season for these members. The go-forward position for Social Racing is currently under review and will form part of the FY14 marketing plan.

7. continued to work with Socialize to produce a variety of video clips on different aspects of the thoroughbred racing industry and post these clips up on to the NZTR website NZRacing.co.nz and the NZTR Facebook page. These clips alongside videos clip from Trackside, editorial content from the NZRacing Desk and access to a wide range of photos have all enhanced the content and popularity of NZTR's website and Facebook page.
8. worked with Socialize to develop a racing club website template that will be suitable for clubs which currently do not have a website or for clubs which are looking to upgrade their current website. Once the template is built Clubs will be able work directly with Socialize to brand the template to their own club's requirements. The first sites have been built for the Waikato Racing Club and the Whangarei Racing Club.

2 Domestic Broadcasting

Maximising Returns to Industry Participants

In FY13 NZTR successfully sought agreement from the NZRB to:

- re-allocate 13 Tuesday meetings in FY14, including 7 to Saturdays and 4 to Sundays
- implement later start times
- increase the number of Twilight licences from 12 to 18 in FY14
- maintain Monday racing, the slot when New Zealand can reach international customers by being shown on Sky 1 in Australia

NZRB's broadcast review

In FY13 NZTR continued to work closely with the new NZRB management team to achieve the best possible broadcast arrangements and coverage for New Zealand thoroughbred racing.

The advent of wall-to-wall racing and the unclear overlap between TAB TV and Trackside has not served us well. Race lead-in times have been compromised and post-race excitement and stories left behind in the rush to get to the next race. NZTR has sought a thoroughbred-only channel, and while that is unlikely to be achieved as part of the NZRB Broadcast Review, we believe that all Codes will see considerable improvement in coverage consistency in the fourth quarter of FY14.

Other broadcast related issues

In FY13 NZTR began posting race replays on NZRacing.co.nz within 10-20 minutes of the race finishing.

The NZRB is investigating the live streaming of domestic races.

3 Race Club Performance

Maximising Returns to Industry Participants

In FY13 61 Thoroughbred race clubs:

- conducted 3,007 races at 358 meetings at 50 venues attended by approximately 487,000 people
- paid \$50.0m in prizemoney
- earned \$5.4m in net sponsorship, \$2.3m from catering and \$5.8m from other income (club nomination & acceptance fees, racebooks, admission, gaming grants)
- spent \$18.1m on race day expenses (excluding stakes)
- produced an aggregate raceday profit (before fixed overheads) of \$10.6m (\$9.7m ex Grants)

While on-course thoroughbred wagering is now less than 9% of total TAB turnover, the on-course experience is our shop window.

Christmas At The Races and the Interislander Summer Festival franchise events continue to grow and have been an outstanding success. In FY13 NZTR worked more closely with the NZRB on-course marketing and events team to leverage off this expertise and asset base to develop the racing clubs event management capability to ensure clubs deliver a professional customer-focused race-day experience across the full racing season.

Race Club Performance benchmarks

On 1 August 2011 NZTR put in place a mandatory standardised race day profit and loss reporting process, and since that time has been collecting this information and analysing each club's annual report. This information has proved to be invaluable in identifying the relative financial performance of each club in the country and is a key element of the Racing Club Partnership Programme engagement with racing clubs during FY14.

Collective insurance proposal

In FY13, at the request of a number of clubs, NZTR worked with Marsh (Insurance Brokers) to bring together a collective Property and Business Interruption Insurance Collective scheme for all thoroughbred racing clubs, which would offer considerable cost savings to clubs and/or offer enhanced insurance cover for their property and business interruption assets/business. NZTR decided there needed to be majority support from the clubs before the scheme could be put in place and, as such, in July 2013 NZTR sent out a full and final scheme outline and premium to each club requesting that they return their club voting paper by 31 August.

FY13 funding model

NZTR has reviewed the FY13 funding model and, as a consequence and in consultation with clubs, has made a number of changes to the FY14 Funding Policy, including increases in prize money from 1 January 2014 as follows:

- Minimum prize money for all races at New Zealand's top five race meetings, re-categorised and re-titled 'Iconic' meetings, will be increased to \$40,000 per race. These meetings are Wellington Cup Day at Trentham, New Zealand Derby Day at Ellerslie, Hawkes Bay Spring Classic Day at Hastings, New Zealand Cup Day at Riccarton Park and Boxing Day Races at Ellerslie.
- In addition, minimum prize money for all races at a further 15 Premier meetings, to be titled 'Premier 1' meetings, will be increased to \$30,000. Twenty-two current Premier meetings, titled 'Premier 2' meetings will be unchanged with minimum prize money at \$20,000. Five Premier meetings will revert to Feature status.
- From 1 January 2014 minimum prize money for all Group 2 races will rise from \$85,000 to \$100,000.
- Consistent with these top-end increases, minimum prize money for Feature Rating 75 and Rating 85 races will lift from \$15,000 to \$17,500.
- Minimum prize money for Feature Rating 65 races will lift from \$12,500 to \$15,000, with Feature maiden races being lowered to \$10,000 (from \$12,500).
- Special interest funding, including matched prize money funding for race clubs, will increase from \$100,000 to \$300,000.

4 Pattern (Black Type) Racing

Maximising Returns to Industry Participants

The FY13 Business Plan established the following Key Performance Indicators for Pattern Racing:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY12 ACTUAL	FY13 FORECAST	FY13 ACTUAL	RESULT
5. Number of Pattern Races to total flat races	4.95%	<5.00%	5.01%	×

✓	Met or improved on FY13 Business Plan targets / Achieved KPI	0%
±	Improved on FY12 but failed to meet FY13 Business Plan targets or materially completed outside the time	0%
×	Failed to improve on FY12 and failed to meet FY13 Business Plan targets	100%

KPI 5: Number of pattern races to total races

The number of Pattern Races for each season is expected to equate to a maximum of 5% of flat races run. There were 2,894 flat races run in FY13 and 145 Pattern races conducted which represents 5.01%. This increased percentage of Pattern races to total races against the FY12 actual and FY13 forecast was due to the uncharacteristically high number of abandonments in FY13.

Summary of pattern races conducted in New Zealand

As a result of the 2012 Annual New Zealand Pattern Committee (NZPC) Review, 145 Group and Listed races scheduled were scheduled in FY13, one less than FY12.

STATUS	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Group 1	22	22	22	22	22	22
Group 2	23	23	23	23	22	21
Group 3	33	33	33	33	36	39
Listed	68	68	66	68	65	65
Total	146	146	144	146	145	147

Pattern Review Committee

In FY13, at the request of the New Zealand Pattern Committee (NZPC), NZTR instigated an independent review of the current Pattern to recommend potential improvements that may avoid possible downgrades and create better domestic opportunities for the best horses. The Committee's draft report was released on 17 September 2013 for industry consultation.

In advance of its draft report being tabled with the NZTR Board, the Review Committee supported a submission from the Levin Racing Club to move the Group One Levin Classic to Trentham and run on the first day of the Wellington Racing Club's 2014 Cup carnival.

The Review Committee applied a similar rationale to another of its major recommendations, that is to move the Group Two Wellington Guineas (1500m) from late October to New Zealand Oaks Day at Trentham over 1400m to create an alternative Group Two \$100,000 three-year-old option.

The Committee is also recommending:

- the Auckland Racing Club's Group Two 3YO Championship Stakes (2000m) is moved from New Year's Day, where it has struggled, to be run in April on Easter Handicap day at Ellerslie to provide another late autumn 3YO target
- the Wellington Racing Club's Group Two Wakefield Stakes 2YO is moved from January to Captain Cook Stakes day at Trentham in early December to avoid the clash with the Auckland Racing Club's Karaka Million 2YO the following week

- the Auckland Racing Club's Group One Easter Handicap date is moved a week later to be run two weeks after the Group One Te Aroha Breeders' Stakes.

In its report, the Committee has signalled the Auckland Racing Club's City Of Auckland Cup, Group Two, is at risk of a downgrade, unless there is a significant increase in prizemoney and/or a change of conditions for this race. As an alternative to any change happening in the City of Auckland Cup, the Committee has suggested the club should consider moving the 3200m Auckland Cup, Group One, back to New Year's Day to re-establish a Summer Cups pattern. If this does not occur, the Committee advises races such as the Counties Cup and Waikato Cups, which have both been downgraded from Group Two in the past two years, will continue to struggle to meet the required benchmark.

The Committee reviewed the timing and make-up of the major racing carnivals, but did not recommend any changes to the overall structure.

The Committee has called on clubs and NZTR to look to programme more set weight and penalty-type races in the future and has suggested that the conditions for both the Wellington Racing Club's Group One Thorndon Mile Handicap and Telegraph Handicap should revert to set weight and penalties, given general concerns that both these races and the status of a number of other major handicap races are at risk.

The Committee would also like to see clubs programme additional three-year-old, and fillies and mares races, at the new Iconic and Premier One meetings to better support the pattern, with some of these races likely to achieve black type status in the future.

Asian Pattern Committee Ground Rules

New Zealand Pattern races were under grave threat two years ago from a move to international rating benchmarks at a time when New Zealand races were receiving unduly low international ratings. This threat has been largely mitigated in the short term via the provision of clear evidence and strong representation on the International and Asian Pattern Committees but it remains a concern that New Zealand races tend to rate towards the bottom end of required benchmarks.

International rankings for New Zealand horses – 8 New Zealand Horses Make International Elite Status

A record eight horses trained in New Zealand achieved international elite status in FY13 by recording an international rating of 115 or more for their peak race performance during the season, and will be included within the ranks of the world's best horses for FY13. Significantly, six of the eight horses recorded their peak rating performance in races conducted in New Zealand. Ocean Park and Dundeel are both rated within the world's top fifty thoroughbred horses in FY13.

THE HIGHEST INTERNATIONALLY RANKED NEW ZEALAND-TRAINED HORSES ARE:	
Ocean Park	122
Dundeel	121
Mufhasa	118
Veyron	118
Nashville	116
Sacred Falls	115
Final Touch	115
Sangster	115

Stakeholder survey

At the start of FY13 NZTR issued a stakeholder perception survey to improve our services and communication, and to help in delivering the FY13 NZTR Business Plan objectives. NZTR was gratified by the high level of engagement from stakeholders and the amount of helpful comments included in the survey responses. A summary of the 258-page report of the survey was provided on the NZTR website at www.nzracing.co.nz and some salient points from the survey included in the FY12 Performance Report.

At the close of the FY13 season NZTR issued a follow-up stakeholder survey to measure our performance against the FY12 survey. The FY13 stakeholder survey is currently being reviewed by the NZTR board and management and will be a basis for improvements across NZTR's strategic planning and service delivery in FY14 and beyond. Results will be published by NZTR in due course.

NZTR website upgrade

In FY13 www.nzracing.co.nz attracted 3.37 million visits, an average of 6.27 page impressions, and average visit duration of 6.53 minutes.

In December 2012 release one of a website upgrade, which was designed to enhance usability, search and navigation and provide improved video and social media integration, was rolled out. Further work is planned during FY14.

Other communication initiatives

In FY13 NZTR improved stakeholder information and communication by:

- establishing the NZ Racing Desk with NZTM
- conducting:
 - regional meetings in Palmerston North, Hamilton, Auckland, Invercargill, Dunedin, Christchurch and New Plymouth
 - monthly teleconferences with the executive of the New Zealand Trainers' Association (NZTA), New Zealand Jockeys' Association (NZJA), New Zealand Thoroughbred Breeders' Association (NZTBA), the New Zealand Thoroughbred Racehorse Owners' Federation (NZTROF) and New Zealand Thoroughbred Marketing (NZTM) and all racing clubs
 - a race club conference prior to the NZTR AGM on 23 November 2012
 - quarterly meetings with race club cluster managers
 - quarterly regional programming meetings
- publishing:
 - a five-year Strategic Plan for 2014-18
 - an annual Business Plan for 2014-16 focusing on FY14 with detailed KPIs and actions
 - a Statement of Intent as required by The Racing Act
 - a Performance Report for FY13 measuring NZTR's performance against the previous year's Business Plan
 - pertinent reports and information in the New Zealand Thoroughbred Racing Monthly
 - an open letter to all stakeholders from the Chairman to update stakeholders on current NZTR initiatives and preview key elements of our longer term thinking

6 Gaming Revenue

Review of gaming activities and optimising racing club access to gaming grant funding

On 20 September 2012 NZTR presented to the Commerce Select Committee, together with the NZRB and the other codes, and successfully opposed this Bill on the primary grounds that:

- it singles out racing for exclusion, while all other sports would continue to receive gaming grants;
- in 2003, the Gambling Act was amended and racing was aligned with other sports to be allowed to apply for funding from gaming trusts. Nothing has changed since then which requires reversal;
- in contrast to the Bill's statement that "racing... is inconsistent with the community benefit tenor of the rest of the Principal Act," racing clubs are an integral part of their local communities. Across the codes, over 1,000 race-days were attended by over 1m people and over 270 community organisations and charities use racing club facilities every year;

While prize money is still an authorised purpose, NZTR policy has been for clubs to not apply for prize money but to apply for other costs associated with the club including upgrading facilities that will provide a wider community benefit for groups that use the racing club facilities.

Implementation of mechanisms for managing data on horse incidents

In November 2012, in consultation with NZTR, the RIU began collecting detailed information on all raceday incidents and fatalities. This information was collated for FY13 and is being reviewed to:

- ascertain any problem areas or emerging trends and to help us identify them and deal with them
- give New Zealand racing access to more complete data to analyse and to assist in the development of safety and welfare initiatives for horses
- provide benchmarks for venues around the country to ensure that all tracks are as safe as possible
- provide accurate information to government agencies, welfare groups, the media, and others on aspects of injury and mortality

NZTR and the RIU did not join Racing Victoria's ARID incident reporting system in FY13, as originally indicated, due to IT integration costs. The RIU maintain the New Zealand Racing Incident Database.

In FY13:

New Zealand Thoroughbred racing had 12 fatalities from 30,380 starts in races on the flat and 8 in 951 starts in jumps races, a total of 20 – a flat racing fatality ratio at 1 fatality in 2,531 starts (or 0.40 : 1,000 starts) and a ratio including jumps races at 1 in 1,566 starts (0.64 : 1,000).

This compares favourably with data quoted at the last International Conference for Racing Analysts and Vets (ICRAV) at which it was stated fatality rates in Australia, South Africa, UK & Ireland are between 1.0 : 1,000 and 1.5 : 1,000 starts.

Development of a partnership with Equestrian Sport NZ promoting second careers for thoroughbreds

In FY13 NZTR initiated a partnership programme with Equestrian Sport NZ (ESNZ) with the aim of:

- raising awareness with all stakeholders in Thoroughbred racing and equestrian sport of eventing as a second career for Thoroughbreds coming out of training
- building a bridge for Owners and Trainers to make this transition as simple as possible

This will be implemented in FY14.

The success of New Zealand Thoroughbreds in eventing competitions around the world, highlighted by Clifton Promise (registered by NZTR as Bachelor Boy by Engagement out of Darn Style), has helped in these endeavours.

Other horse welfare initiatives

In FY13:

1. NZTR submitted, for final approval, a Rule change which would offer the option of de-registering a horse from racing and/or breeding and place certain requirements on the owner of a horse leaving the racing industry to inform NZTR when a horse is sold or gifted to another party, including the full identity and contact details of the new owner.
2. NZTR has been involved in re-drafting the 1993 Welfare Code for Equines with the NZ Equine Health Association (NZEHA).
3. The National Animal Welfare Advisory Committee (NAWAC) released a draft of the Animal Welfare (Equines) Code of Welfare for public consultation. The code, to which NZTR provided advice, sets out minimum standards and best practice guidelines for all horses, ponies, donkeys and crossbreds.
4. NZTR supported and is closely involved, through the NZEHA, in monitoring new welfare research findings and promoting further funding and support for welfare studies through the NZ Equine Research Foundation and the Massey Partnership for Excellence and negotiating an emergency disease management programme with MAF through the Biosecurity Law Reform Bill.
5. NZTR and Harness Racing (HRNZ) and the RNZSPCA have in place an MOU setting out how collectively and individually the signatories will act in reporting and handling instances of thoroughbred and standardbred horse neglect, and promoting early intervention to alleviate horse suffering as quickly and efficiently as possible.
6. The Rules of Racing, held by NZTR, contain a wide range of clauses covering horse welfare. These are reviewed regularly and the views of anyone interested in horse welfare are welcomed.

8 Industry Training and Development

Increasing Efficiency and Effectiveness

The FY13 Business Plan established the following Key Performance Indicators for Industry Training and Development:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY12 ACTUAL	FY13 FORECAST	FY13 ACTUAL	RESULT
6 Apprentice Jockeys	55	50	61	✓
7 Level 3 Stablehand Certificate	19	120	120	✓

✓	Met or improved on FY13 Business Plan targets / Achieved KPI	100%
±	Improved on FY12 but failed to meet FY13 Business Plan targets or materially completed outside the time	0%
×	Failed to improve on FY12 and failed to meet FY13 Business Plan targets	0%

KPI 6: Apprentice Jockeys

61 apprentices were registered with NZTR in FY13, compared to 55 in FY12, an increase of 6 (or 10 %) and an increase of 13 (or 21%) on FY11.

KPI 7: Level 3 Stablehand Certificate

The level 3 Stable Procedures qualification is undertaken on a voluntary basis and is available for any licensed stablehand or trackwork rider to gain a formal nationally recognized qualification. At 31 July 2013 there were 120 trainees undertaking the Level 3 Stable Procedures certificate, significantly up on the 19 recruited in its first part-year .

Mandatory training for new stable hands

In FY12 NZTR made it a mandatory licensing requirement that all new stable hand licensees complete a 'Limited Credit Programme' covering horse welfare, grooming a horse, cleaning a stable and occupational health and safety.

This mandatory training aims to ensure a basic level of competence and knowledge. There is a requirement to complete this programme within 12 months in order to retain the stable hand licence.

The mandatory training provides 20 credits out of the 100 credit credits required to complete the voluntary Level 3 Stable Procedures Certificate.

Primary Industry Training Organisation (PrimaryITO)

In FY13 three NZTR-appointed regional Training Advisors were sub-contracted to the PrimaryITO to manage and monitor our training programme.

9 Racing Structure

Maximising Returns to Industry Participants

The FY13 Business Plan established the following Key Performance Indicators for Racing Structure:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
		FY12 ACTUAL	FY13 FORECAST	FY13 ACTUAL
8 Prizemoney funded by NZTR	\$44.4m	\$47.5m	\$47.2m	±
9 Average prizemoney funding per race	\$14,503	\$15,629	\$15,687	✓
10 Races before noon on Saturdays and before 12.30pm on other days	189	125	131	±
11 Average domestic (tote and FOB) turnover per race Mondays and Tuesdays combined (excl. significant meetings)	\$74K	\$76k	\$74k	±
12 Average export turnover per race Mondays and Tuesdays combined (excl. significant meetings)	\$97K	\$99k	\$92k	×
13 Races conducted	3,061	3,040	3,007	×
14 NZRB Distribution to NZTR	\$69.6m	\$71.4m	\$73.4m	✓
15 Average Field Size – all races	10.6	10.7	10.4	×
16 Average starts per starter	5.78	5.86	5.72	×
17 Races with less than 8 starters	489	470	431	✓
18 Number of individual starters	5,610	5,554	5,481	×

✓ Met or improved on FY13 Business Plan targets / Achieved KPI	27%
± Improved on FY12 but failed to meet FY13 Business Plan targets or materially completed outside the time	18%
× Failed to improve on FY12 and failed to meet FY13 Business Plan targets	55%

In FY13 overall field size performance was reasonable with the exception of the drought period February-March, where an average national field size of 0.5 below normal meant that we ended the year with a disappointing 10.42 average versus 10.59 in FY12 and our target of 10.7.

During FY13 we lost 101 races to adverse weather, an uncharacteristically high number which adversely impacted directly on KPIs 5, 8, 11, 12, 13, 15, 16, 18, 35 and 36.

NZTR analysis in FY13 of foal crops provides confidence that an adequate number of available horses are being bred at this time, with a steady decline in mares bred being largely off-set by a higher foaling percentage of better quality foals that are more likely to race. However, we are operating at the limits of our activity potential. Accordingly, even though there will be a modest revenue impact, we will schedule 2,955 races in FY13 with an expectation of conducting 2,940. This is down 100 from the expected 3,040 (and the actual 3,007) in FY13.

KPI 8: Prizemoney Funded by NZTR

In FY13 aggregate base prizemoney paid (excluding iconic race funding) was \$47.2m an increase of \$2.8m (or 6.3%) over the \$44.4m paid in FY12 and \$0.3m (or 0.6%) less than the Business Plan target of \$47.5m for FY12. The high number of races abandoned in FY13 led to the KPI target not being fully achieved.

KPI 9: Average Prizemoney Funding per Race

Prizemoney bottomed in early 2011 and will continue to increase steadily. From \$13,758 in FY11, average NZTR funded prizemoney per race rose 5.4% to \$14,503 in FY12, by 8.2% to \$15,687 in FY13 and will rise by a further 4.0% to \$16,311 in FY14.

In FY13 average base prizemoney was \$58 (or 0.4%) above the FY13 Business Plan target of \$15,629.

KPI 10: Races before noon on Saturdays and before 12.30pm on other days

In FY13 the number of races conducted on Saturdays before noon and on other days before 12.30pm was 131, a reduction of 58 (30.7%) over the 189 conducted in FY12 and 6 (4.8%) more than the FY13 Business Plan forecast.

Races conducted before noon and on other days prior to 12.30pm provide significantly less wagering turnover than those conducted after these times.

KPI 11: Average domestic (tote and FOB) turnover per race Mondays and Tuesdays combined (excl. significant meetings)

In FY13 the average totalisator and fixed odds domestic turnover per race on Mondays and Tuesdays combined was \$74k per race, matching FY12 but less than the FY13 budget of \$76k.

The upside for export from being on Sky 1 in Australia is clear. The domestic popularity of Thoroughbred racing lifts all racing turnover on what is otherwise a very quiet day. In return for this, our code is paid above our raw Section 16 market share. A 6-8 race Monday programme combined with 7-9 races on Wednesday-Friday with later start times delivers better overall returns, (net of the extra costs), than running 9-10 races on Wednesday-Friday and retaining winter Sundays.

KPI 12: Average exports turnover per race Mondays and Tuesdays combined (excl. significant meetings)

The average export turnover per race on Mondays and Tuesdays combined was \$92k per race, \$5k less than FY12 and \$8k less than FY13 budget of \$97k. This fall was due to the strong New Zealand dollar against the Australian dollar and the high number of abandoned races in FY13.

KPI 13: Races Conducted

In FY13 there were 3,007 races conducted, down 54 races (-1.8%) on the 3,061 races run in FY12, and a decrease of 41 races (-1.4%) on the 3,048 races in FY11, and 33 less than the FY13 Business Plan forecast.

NZTR had scheduled 3,079 races in FY13 and anticipated conducting 3,040 races after abandonments, deletions and divisions. In FY13 101 races were abandoned due to drought and wet weather.

KPI 14: NZRB Distribution to NZTR

The FY13 NZRB distribution to NZTR was \$73.4m, inclusive of NZRB gaming grants. This is a \$3.8m (5.5%) increase on the FY12 NZRB distribution of \$69.6m and a \$9.3m (14.5%) increase on \$64.1m in FY11.

\$73.4m is 54.5% of the total distribution to the three codes as compared to 54.9% in FY12 and 53.8% in FY11 of domestic market share as provided under the default mechanism of Section 16 of the Racing Act 2003.

KPI 15: Average Field Size – all races

The average field size for flat races in FY13 was 10.4, a reduction of 0.2 starters per race (or 1.6%) from the 10.6 average field size in FY12 and 10.7 in FY11.

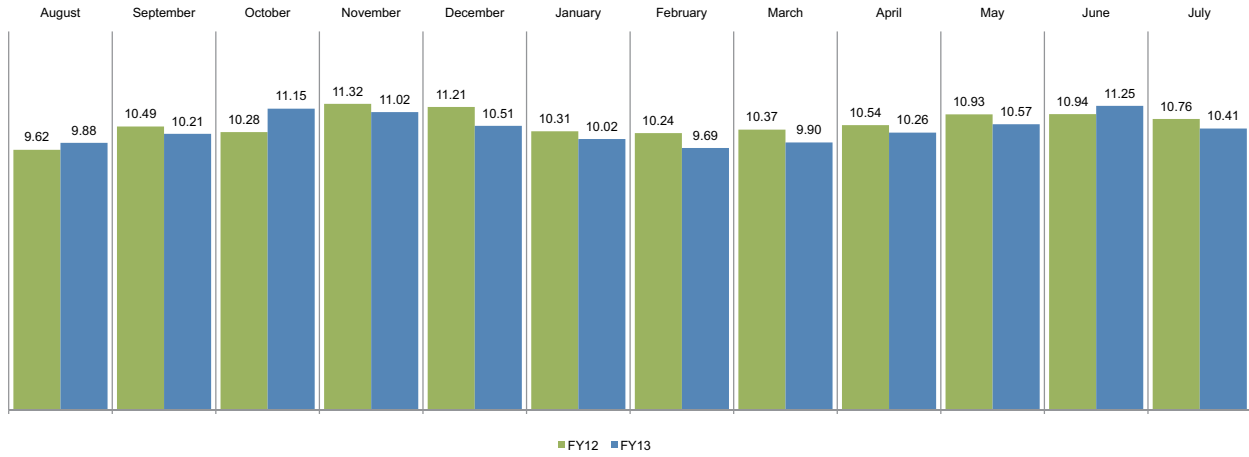
Table 9.1 Race Programming and Handicapping Summary by Class FY13 v FY12 (1-Aug to 31-July)

1-AUG-12 TO 31-JULY-13	RACES	STARTERS	MALE STARTERS	FEMALE STARTERS	MALE WINNERS	FEMALE WINNERS	AVERAGE STARTERS	RACES <8 STARTERS	% RACES <8 STRTS	% OPEN SEX RACES/CLASS
Races Conducted	3,007	31,331	16,559	14,772	1,594.0	1,414.0	10.4	431	14.3%	100.0%
Maiden	940	10,181	5,264	4,917	521.0	420.0	10.8	91	9.7%	31.3%
Rating 65	688	7,419	4,109	3,310	364.0	324.0	10.8	61	8.9%	22.9%
Rating 75	420	4,303	2,410	1,893	220.5	199.5	10.2	68	16.2%	14.0%
Rating 85	223	2,158	1,266	892	117.0	106.0	9.7	58	26.0%	7.4%
Open	240	2,465	1,528	937	145.5	94.5	10.3	43	17.9%	8.0%
2YO	89	786	334	452	38.0	51.0	8.8	27	30.3%	3.0%
3YO	66	648	422	226	46.0	20.0	9.8	13	19.7%	2.2%
Special Conditions	52	564	322	242	32.0	20.0	10.8	5	9.6%	1.7%
Sub-Total Flat Open Sex	2,718	28,524	15,655	12,869	1,484.0	1,235.0	10.5	366	13.5%	90.4%
Male Restricted Races	5	46	46	-	5.0	-	9.2	1	20.0%	0.2%
Female Restricted Races	171	1,810	-	1,810	-	171.0	10.6	21	12.3%	5.7%
Sub-Total Flat Races	2,894	30,380	15,701	14,679	1,489.0	1,406.0	10.5	388	13.4%	96.2%
Jumps Races	113	951	858	93	105.0	8.0	8.4	43	38.1%	3.8%
Total Flat & Jump Races	3,007	31,331	16,559	14,772	1,594.0	1,414.0	10.4	431	14.3%	100.0%

1-AUG-11 TO 31-JULY-12	RACES	STARTERS	MALE STARTERS	FEMALE STARTERS	MALE WINNERS	FEMALE WINNERS	AVERAGE STARTERS	RACES <8 STARTERS	% RACES <8 STRTS	% OPEN SEX RACES/CLASS
Races Conducted	3,061	32,425	17,453	14,972	1,671.5	1,389.5	10.6	489	16.0%	100.0%
Maiden	945	10,606	5,593	5,013	515.0	430.0	11.2	82	8.7%	30.9%
Rating 65-74	674	7,499	4,056	3,443	358.0	316.0	11.1	73	10.8%	22.0%
Rating 75-84	432	4,383	2,457	1,926	241.0	191.0	10.1	88	20.4%	14.1%
Rating 85-94	232	2,109	1,317	792	132.0	100.0	9.1	74	31.9%	7.6%
Open	244	2,461	1,650	811	150.0	94.0	10.1	60	24.6%	8.0%
2YO	109	1,027	525	502	66.0	43.0	9.4	29	26.6%	3.6%
3YO	62	626	377	249	38.0	24.0	10.1	11	17.7%	2.0%
Special Conditions	90	997	575	422	62.5	27.5	11.1	10	11.1%	2.9%
Sub-Total Flat Open Sex	2,788	29,708	16,550	13,158	1,562.5	1,225.5	10.7	427	15.3%	91.1%
Male Restricted Races	6	54	54	-	6.0	-	9.0	1	16.7%	0.2%
Female Restricted Races	155	1,726	-	1,726	-	155.0	11.1	13	8.4%	5.1%
Sub-Total Flat Races	2,949	31,488	16,604	14,884	1,568.5	1,380.5	10.7	441	15.0%	96.3%
Jumps Races	112	937	849	88	103.0	9.0	8.4	48	42.9%	3.7%
Total Flat & Jump Races	3,061	32,425	17,453	14,972	1,671.5	1,389.5	10.6	489	16.0%	100.0%

FY13 v FY12 (AUG-JULY)	RACES	STARTERS	MALE STARTERS	FEMALE STARTERS	MALE WINNERS	FEMALE WINNERS	AVERAGE STARTERS	RACES <8 STARTERS	% RACES <8 STRTS	% OPEN SEX RACES/CLASS
Races Conducted	(54)	(1,094)	(894)	(200)	(78)	25	(0.2)	(58)	(1.6%)	0.0%
Maiden	(5)	(425)	(329)	(96)	6	(10)	(0.4)	9	1.0%	0.4%
Rating 65-74	14	(80)	53	(133)	6	8	(0.3)	(12)	(2.0%)	0.9%
Rating 75-84	(12)	(80)	(47)	(33)	(21)	9	0.1	(20)	(4.2%)	(0.1%)
Rating 85-94	(9)	49	(51)	100	(15)	6	0.6	(16)	(5.9%)	(0.2%)
Open	(4)	4	(122)	126	(5)	1	0.2	(17)	(6.7%)	0.0%
2YO	(20)	(241)	(191)	(50)	(28)	8	(0.6)	(2)	3.7%	(0.6%)
3YO	4	22	45	(23)	8	(4)	(0.3)	2	2.0%	0.2%
Special Conditions	(38)	(433)	(253)	(180)	(31)	(8)	(0.2)	(5)	(1.5%)	(1.2%)
Sub-Total (Flat Open Sex)	(70)	(1,184)	(895)	(289)	(79)	10	(0.2)	(61)	(1.8%)	(0.7%)
Male Restricted Races	(1)	(8)	(8)	0	(1)	0	0.2	0	3.3%	(0.0%)
Female Restricted Races	16	84	0	84	0	16	(0.6)	8	3.9%	0.6%
Sub-Total Flat Races	(55)	(1,108)	(903)	(205)	(80)	26	(0.2)	(53)	(1.5%)	(0.1%)
Jumps & Jumps Highweights	1	14	9	5	2	(1)	0.0	(5)	(4.8%)	0.1%
Total Flat and Jump Races	(54)	(1,094)	(894)	(200)	(78)	25	(0.2)	(58)	(1.6%)	0.0%

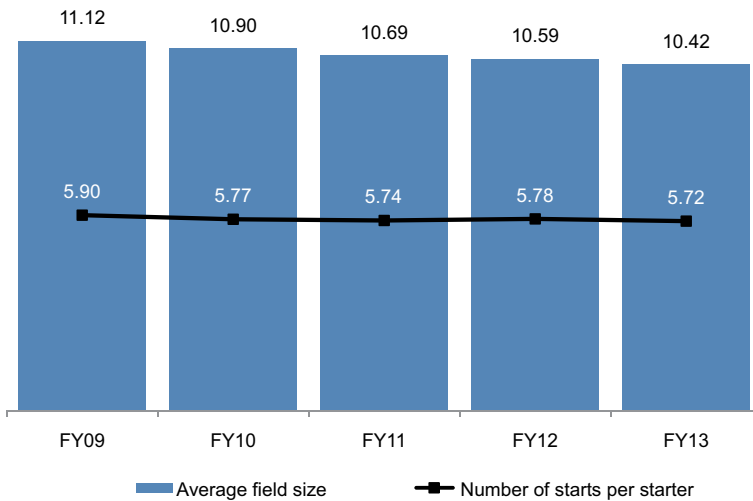
Chart 9.1 Average Field Size (Flat and Jumps) by Calendar Month in FY13 vs FY12



KPI 16: Average starts per starter

In FY13 the average number of starts per starter per annum was 5.72, down 0.06 (1.0%) on the 5.78 in FY12, and down 0.02 (0.3%) from 5.74 times in FY11.

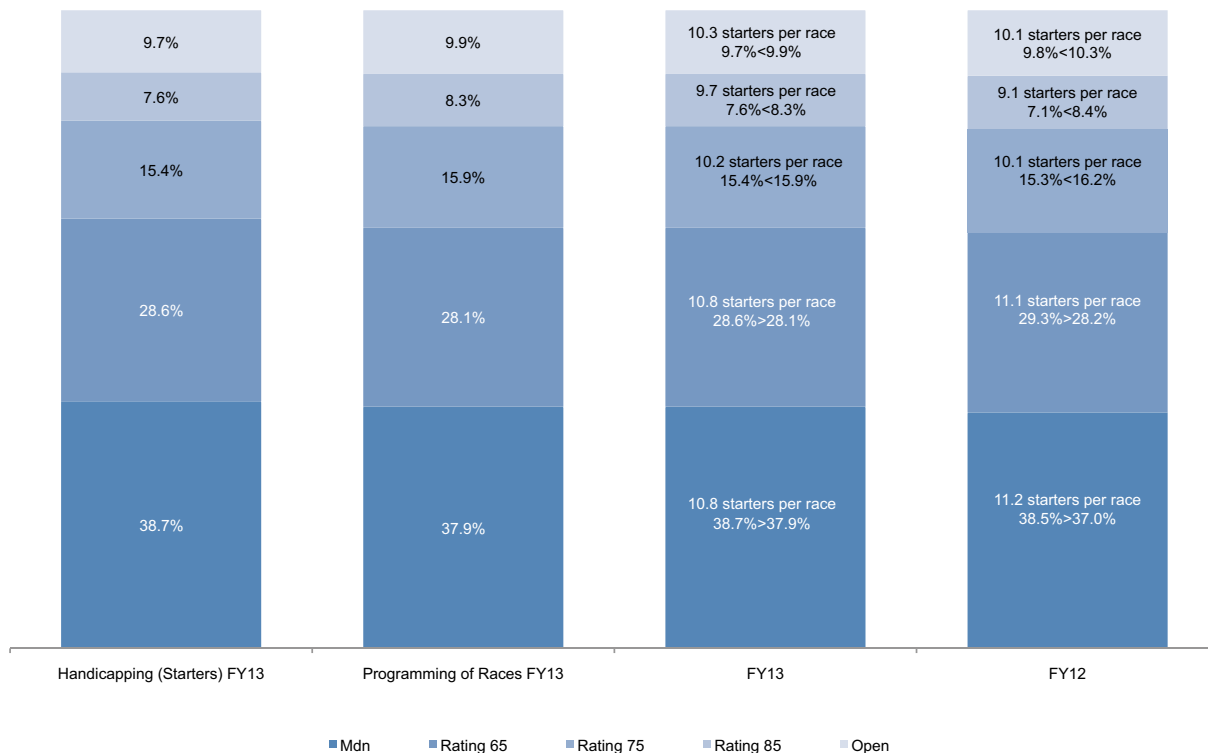
Chart 9.2 Average Field Size and Number of Starts per Starter in FY09-FY13



KPI 17: Races with less than 8 starters

Races with less than eight runners per race have a significant negative impact on turnover. In FY13 there were 431 races with less than 8 starters, 58 fewer than FY12 when there were 489 races, 39 fewer races than the Business Plan target of 470.

Chart 9.3 Misalignment of Horses by Band to Races Programmed in FY13



KPI 18: Number of individual starters

There were 5,481 individual horses which started in at least one race in FY13, down 129 (2.3%) compared to 5,610 individual horses which started in at least one race in FY12 and down 201 (3.5%) from the 5,682 individual horses which started in at least one race in FY11.

Handicapping review

Taking into account overall field sizes in FY13, the results of the handicapping review have been a success. For example, the decline in race fields with less than 8 horses (fell to 431, well below the 489 in FY12). Progress from here will be harder given 55 of the sub-scale fields were two year-old or jumping races but we still expect further improvement. We are particularly pleased with the way the benchmark system is creating more opportunities to place horses, with the previous black-spot of Rating 85 fields rising by 0.6 to a 9.7 average.

The new rating grades have settled down and horses are moving up and down through them more evenly and there has been a reduction in the number of issues that have arisen from FY12 to FY13.

In FY13 NZTR appointed two independent reviewers to hear unresolved complaints to the handicapper. To date, only three issues have escalated to that level, with no rating changes made.

10 Fillies and Mares Racing

The FY13 Business Plan established the following Key Performance Indicators for Fillies and Mares Racing:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
		FY12 ACTUAL	FY13 FORECAST	FY13 ACTUAL
19 Females as % of individual starters	47.18%	48.12%	47.86%	±
20 Females as % of individual winners	45.79%	47.19%	47.05%	±
21 Number of starts per female starter per year	5.65	5.75	5.63	×
22 Females only mid-week races	30	80	83	✓

✓ Met or improved on FY13 Business Plan targets / Achieved KPI	25%
± Improved on FY12 but failed to meet FY13 Business Plan targets or materially completed outside the time	50%
× Failed to improve on FY12 and failed to meet FY13 Business Plan targets	25%

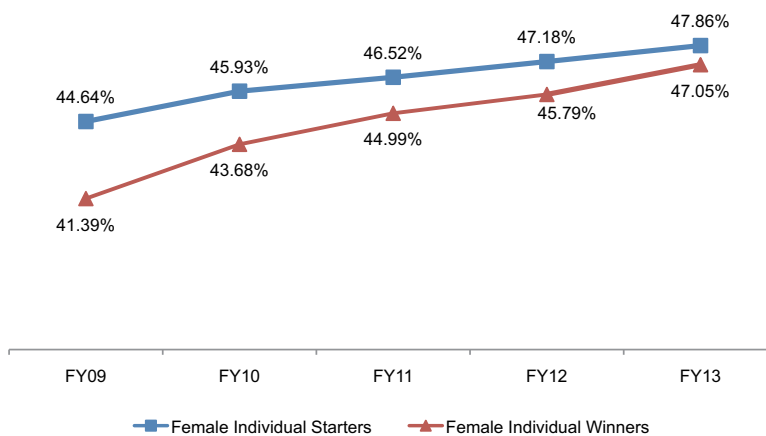
KPI 19: Females as % of individual starters

Fillies and mares make up between 54% and 57% of the available horse population after exports. However, in FY13 females comprised only 47.86% of individual horses that started in at least one race, up 0.68% from 47.18% in FY12 and an increase from 46.2% in FY11.

KPI 20: Females as % of individual winners

In FY13 females comprised 47.05% of individual winners, up from 45.79% of individual winners in FY12, and up from 44.99% in FY11.

Chart 10.1 Percentage of Female Individual Starters relative to Female Individual Winners FY09 to FY13



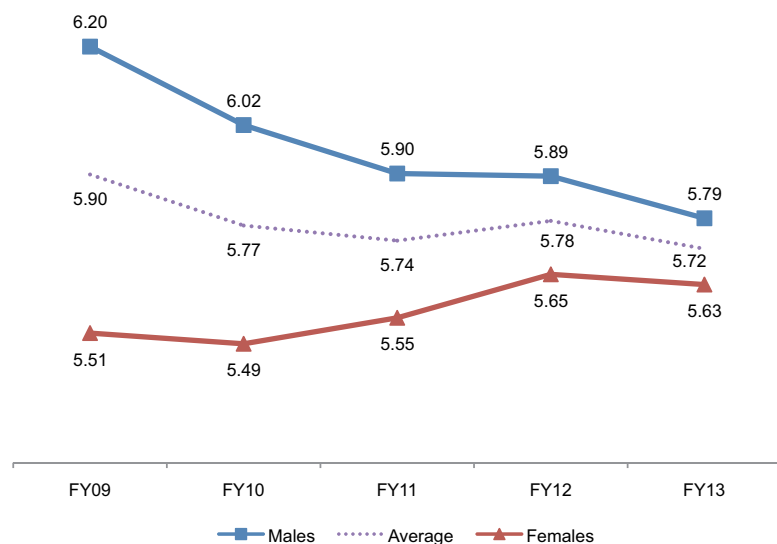
KPI 21: Number of starts per female starter per year

In FY13 female horses raced on average 5.63 times per annum, slightly down on the FY12 races per female per annum of 5.65 times, but up from 5.55 times in FY11.

KPI 22: Females only mid-week races

In FY13 there were 83 female only mid-week 12k races, an increase of 53 from the 30 introduced in FY12.

Chart 10.2 Average Starts per Annum per Horse by Sex FY09 to FY13



Two years ago, NZTR identified that fillies and mares were racing and winning significantly less than was implied by their population percentage. This provided clear upside potential.

In FY13 NZTR:

- worked with the NZTBA and NZTM in developing and launching the Pearl Series for fillies and mares designed to revive ownership interest in fillies and mares and reduce 'wastage' in the present and maintain horse numbers for the future. This initiative has seen exceptional enrolments at 647, well above the projection of 400.
- NZTR also expanded the number of Saturday fillies and mares (and 3YO) races in FY13, for a potential increase in or upgrade of black type status

11 Jumps Racing

The FY13 Business Plan established the following Key Performance Indicators for Jumps Racing:

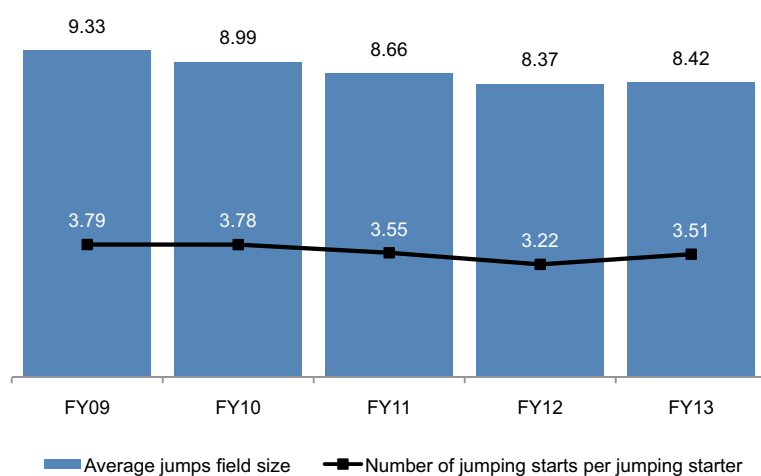
	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
		FY12 ACTUAL	FY13 FORECAST	FY13 ACTUAL
23 Field size – jumps	8.37	8.70	8.42	±
24 Number of individual jumps starters	291	300	271	×
25 Number of jumps races with less than 8 starters	48	45	43	✓

✓ Met or improved on FY13 Business Plan targets / Achieved KPI	33%
± Improved on FY12 but failed to meet FY13 Business Plan targets or materially completed outside the time	33%
× Failed to improve on FY12 and failed to meet FY13 Business Plan targets	33%

KPI 23: Field size – jumps

The average field size for jumps races in FY13 was 8.42, an increase of 0.05 starters per race from the 8.37 average field size in FY12, but 0.28 starters per race from the 8.70 average field size targeted in the FY13 Business Plan.

Chart 11.1 Number of jumping starts per jumping horse FY09 to FY13



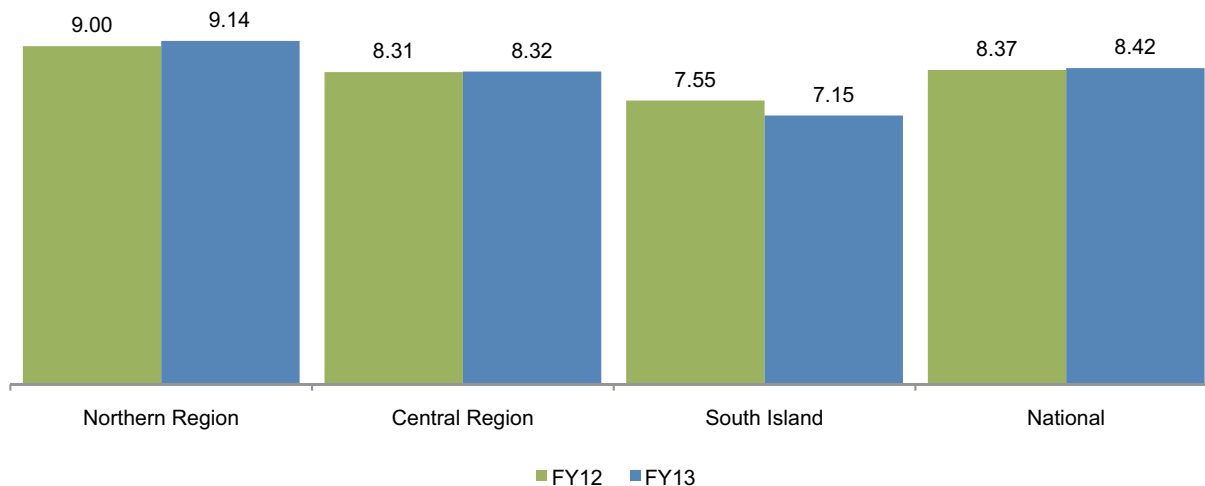
KPI 24: Number of individual jumps starters

In FY13 there were 271 individual horses which started in at least one jumps race, down 20 from the 291 in FY12 and 7 behind the 278 in FY11 and 29 lower than the FY13 Business Plan forecast.

KPI 25: Number of jumps races with less than 8 starters

In FY13 the number of jumps races with less than 8 starters was 43, down 5 from 48 in FY12 and 2 fewer than the FY13 Business Plan forecast.

Chart 11.2 Average Jumping Field Size by Region FY13 v FY12



Other Jumps Racing Initiatives

A continuation of past levels of field size and betting turnover is unsustainable. As signalled last year, NZTR conducted a review with NZ Jumps Inc and key changes have been introduced:

- open nominations to create greater certainty that a jumping race will be held and the ability to split a race if strong nominations are received
- a modest re-focusing of activity to areas where there is a sustainable base of jumping horses and jockeys
- a \$140k lift in prize-money for a number of the key events to a total of \$940k across 18 races
- continued to support clubs that conduct jumping days by paying an additional \$2,500 per day payment towards their costs
- implemented a rule change to ensure that when a horse has fallen or is pulled up in a jumping race it is not remounted or ridden until the horse has been examined by a veterinary surgeon and the rider has been cleared by medical authorities. NZTR will distribute any unallocated jumps race prizemoney equally among horses that do not complete any race

Given the lead times in preparing a jumper, it is too early to expect strong results but the initial outcomes are moderately encouraging, with average field size lifting in the second half of FY13 to 8.2 from 7.9 in the same period in FY12. We are looking for significant further improvement.

12 Infrastructure and Asset Optimisation

Increasing Efficiency and Effectiveness

The FY13 Business Plan established the following Key Performance Indicators for Infrastructure and Asset Optimisation:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY12 ACTUAL	FY13 FORECAST	FY13 ACTUAL	RESULT
26 Percentage of trained starters produced from Strategic training tracks	66.2%	68.0%	70.6%	✓
27 Races conducted at venues that race 10+ meetings per annum	71.1%	63.8%	64.7%	✓
28 Races conducted at venues that race 3-9 meetings per annum	22.2%	29.0%	28.6%	✓
29 Races conducted at venues that race 1-2 meetings per annum	7.0%	7.2%	6.8%	✓
30 Average Track Rating	5.52	5.50	5.93	✗

✓	Met or improved on FY13 Business Plan targets / Achieved KPI	80%
±	Improved on FY12 but failed to meet FY13 Business Plan targets or materially completed outside the time	0%
✗	Failed to improve on FY12 and failed to meet FY13 Business Plan targets	20%

KPI 26: Percentage of trained starters produced from strategic training tracks

In FY13 70.6% of trained starters came from strategic training tracks, an increase of 4.4% on FY12's 66.2% and 4.2% on the FY11 actual and 2.6% up on the FY13 Business Plan budget of 68%.

KPI 27: Races conducted at venues that race 10+ meetings per annum

In FY13 64.7% of races were conducted at venues hosting 10 or more race meetings per annum, down 6.4% on FY12 actual but ahead of the FY13 Business Plan forecast of 63.8%.

KPI 28: Races conducted at venues that race 3-9 meetings per annum

In FY13 28.6% of races were conducted at venues hosting between 3 and 9 race meetings per annum, an increase of 6.4% on FY12 but 0.4% better than the FY13 Business Plan target.

KPI 29: Races conducted at venues that race 1-2 meetings per annum

In FY13 6.8% of races were conducted at venues hosting between 1-2 race meetings per annum. This reduction of 0.2% is an improvement on both FY11, FY12 and the FY12 Business Plan.

KPI 30: Average Track Rating

In FY13, as part of its infrastructure plan, NZTR supported a number of drainage and irrigation improvements.

The wet weather in early spring and winter had the most significant impact, however, with the average track rating deteriorating to 5.93 compared to 5.52 and a forecast of 5.50.

Synthetic Track

In FY13 NZTR submitted a comprehensive funding proposal to the NZRB for the NZRB and NZTR to jointly fund the construction of a synthetic training and trialling track at either Cambridge or Matamata. One of the key reasons to construct a synthetic training and trialling track is to ensure trainers have access to a training and trialling surface that is not affected by wet weather, especially during the Autumn, Winter and early Spring. A synthetic track will meet that requirement.

A synthetic training and trialling track is a lower cost option than a full synthetic racing track and it will allow the track to be properly evaluated under New Zealand conditions before consideration is given to the construction of a full synthetic racing track in the future.

NZTR financial modelling shows clear gains in wagering revenue due to improved field size and cost savings to owners from a high quality synthetic training and trialling track allowing horses to get to the races more quickly and more often.

Track maintenance

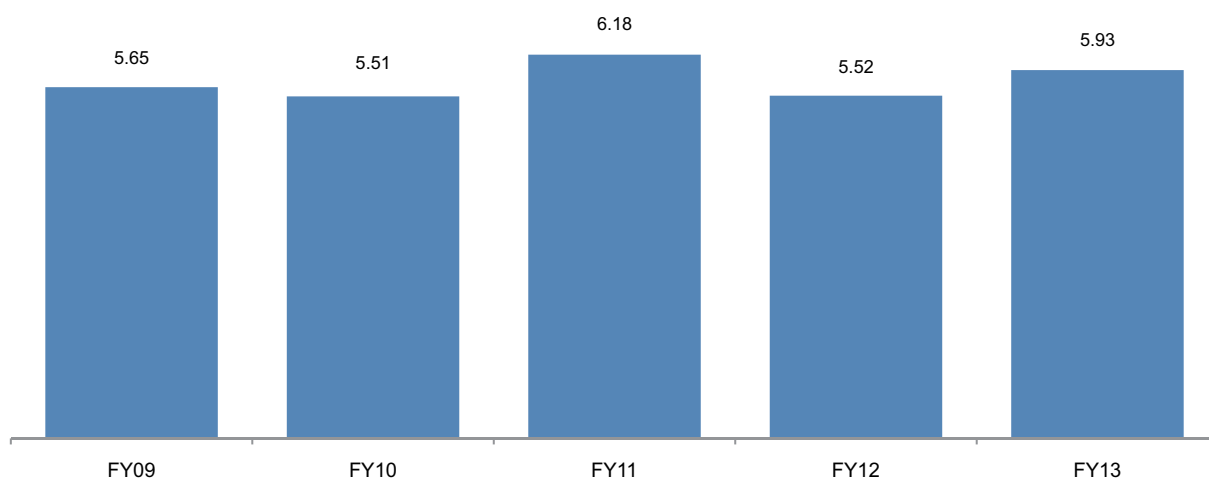
A clear need has built up over several decades to invest in both turf track surfaces and public amenities. The problem is that industry funding formulae take no account of the thoroughbred code's greater capital needs and accompanying higher profit margins. All codes are paid by the NZRB as if each dollar of revenue has the same profit margin associated with it. In the face of this, in FY13 NZTR:

- set aside \$1m to fund key projects at tracks identified as Strategic or Significant
- provided \$500k of funding at Ruakaka for a track-widening programme which will cost \$1 m in total and which will greatly enhance the ability of our best winter track to carry the load it receives during that period
- provided \$245k out of \$450k of expenditure on drainage at Riccarton
- provided \$20k out of \$80k of expenditure on drainage at Otaki
- part funded the purchase of plastic running rails at Ellerslie, Te Rapa and Riccarton
- fully funded the purchase of new judicial towers at Strategic and Significant venues
- in all cases, the funding is structured so that it will be returned to the industry in the event a club chooses to cease racing at some future point. NZTR acknowledges and appreciates the support of the Racing Safety Development Fund (RSDF) for those projects which have safety elements.

In FY13 NZTR continued to:

- Subsidise the 17 largest training centres at a total of \$405k in recognition of each of their contribution to the industry via the provision of training facilities and tracks
- Fund Turftech reports to help assist clubs in the maintenance and presentation of their turf racing surfaces
- Provide racing clubs with access to 'verti drain' and 'groundbreaker' machinery

Chart 12.1 Average track conditions (Fast 1 to Heavy 11) FY09 to FY13



13 Internationalisation

The FY13 Business Plan established the following Key Performance Indicators for Internationalisation:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
		FY12 ACTUAL	FY13 FORECAST	FY13 ACTUAL
31 International royalties on New Zealand thoroughbred racing	\$9.3m	\$10.6m	\$9.5m	±
32 Gain access to Sky 1 for all New Zealand Monday and Tuesday fixtures	57.6%	60%	58.1%	±

✓ Met or improved on FY13 Business Plan targets / Achieved KPI	0%
± Improved on FY12 but failed to meet FY13 Business Plan targets or materially completed outside the time	100%
✗ Failed to improve on FY12 and failed to meet FY13 Business Plan targets	0%

A critical barrier to driving more revenue is scale. New Zealand has 4.4m people. Australia has 23.1m. We need to continue to drive growth in export turnover. Not only was the currency impact sizeable, with growth per starter in A\$ terms being +9.0%, but also abandoned races impacted on our international royalties.

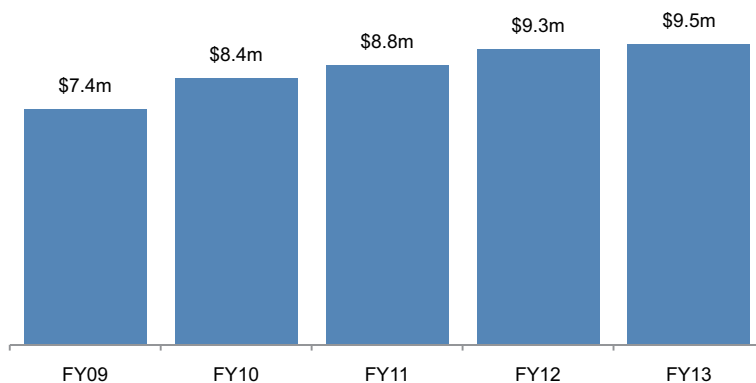
The FY13 season was difficult, with thoroughbred export turnover only growing 1.8% to \$365m (NZ\$). On a per starter basis, the growth was 5.3% and we sharply outperformed harness at -9.9% and greyhounds at -10.6%. The growth rate in NZ\$ terms tapered off as the year progressed due to a stronger New Zealand dollar.

Overseas punters using free-riding overseas bookmaker websites to bet on New Zealand racing is also an increasing head-wind to export growth.

KPI 31: International royalties on New Zealand thoroughbred racing

In FY13 international royalties on New Zealand thoroughbred racing were \$9.5m, an increase of \$0.2m (or 1.8%) on FY12 and \$0.7m (or 7.3%) on FY11 but below the FY13 Business Plan target of \$10.6m.

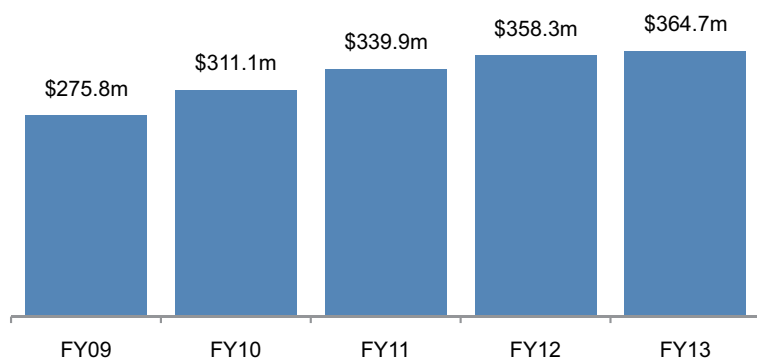
Chart 13.1 Royalties (\$NZ) Paid to the NZRB by Australian Totalisator Operators on NZ Thoroughbred Races FY09 to FY13 (Forecast)



KPI 32: Gain access to Sky 1 for all New Zealand Monday and Tuesday fixtures

In FY13 Sky 1 broadcast 58.1% of Monday and Tuesday New Zealand thoroughbred races, above the 57.6% in FY12 and below the FY13 Business Plan forecast of 60%.

Chart 13.2 Australian Totalisator Sales on New Zealand Thoroughbred Races (\$NZ)



Other international broadcast issues

Coverage of New Zealand Thoroughbred racing in Australia is split between the four Sky Channels. Monday through Thursday New Zealand thoroughbred racing is divided between Sky 1 and Sky 2, with the early races on Sky 1 and the later races on Sky 2, and the full card being carried on Sky Racing World and Sky International. On Fridays, Saturdays and Sundays the full card is carried on Sky 2 and Sky International.

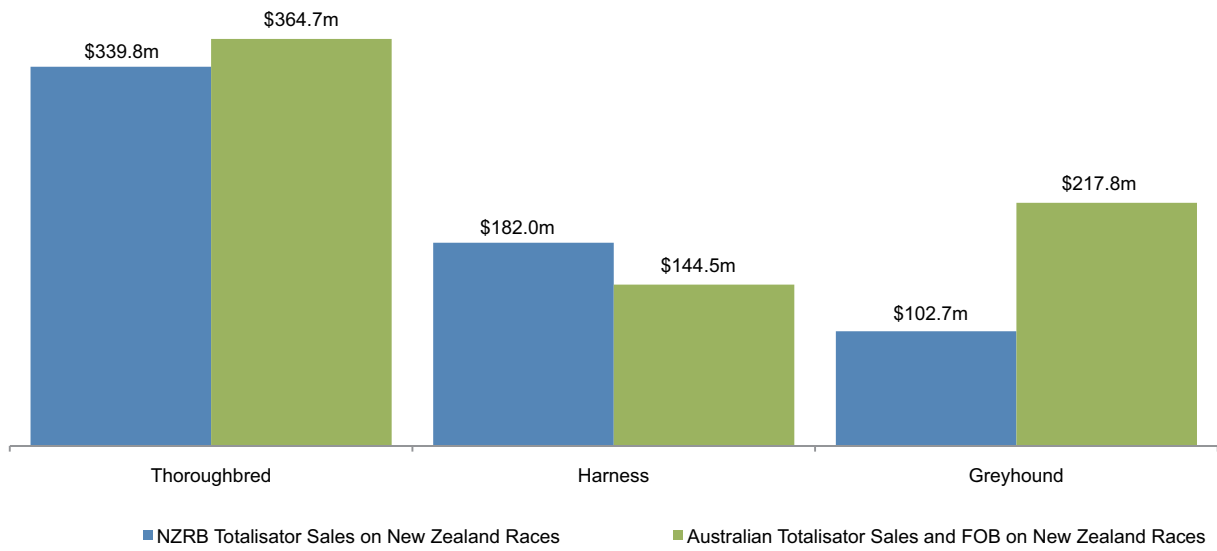
The allocation and coordination of race start times between New Zealand and Australia (the race clock) is the most important issue to get right. A coordinated race clock between New Zealand and Australia provides the best opportunity to optimise the broadcast coverage on Thoroughbred racing and the wagering potential for both Australia and New Zealand TABs.

New Zealand racing represents about 60% of Sky Channel's international revenue and therefore is a key player for Sky Channel and Tabcorp to optimize its international revenue going forward.

New Zealand Thoroughbred racing is also being simulcast to a number of key markets including Hong Kong, Singapore, the United States of America, South Africa, and the United Kingdom on the back of Australian racing.

NZTR will continue to work with the NZRB on expanding New Zealand Thoroughbred racing uptake overseas.

Chart 13.3 Comparison of Totalisator Sales on New Zealand Races FY13 (\$NZ)



14 Ownership and Participation *Promoting the Sport of Thoroughbred Racing*

The FY13 Business Plan established the following Key Performance Indicators for Ownership:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
		FY12 ACTUAL	FY13 FORECAST	FY13 ACTUAL
33 Number of owners	12,462	12,504	12,106	×

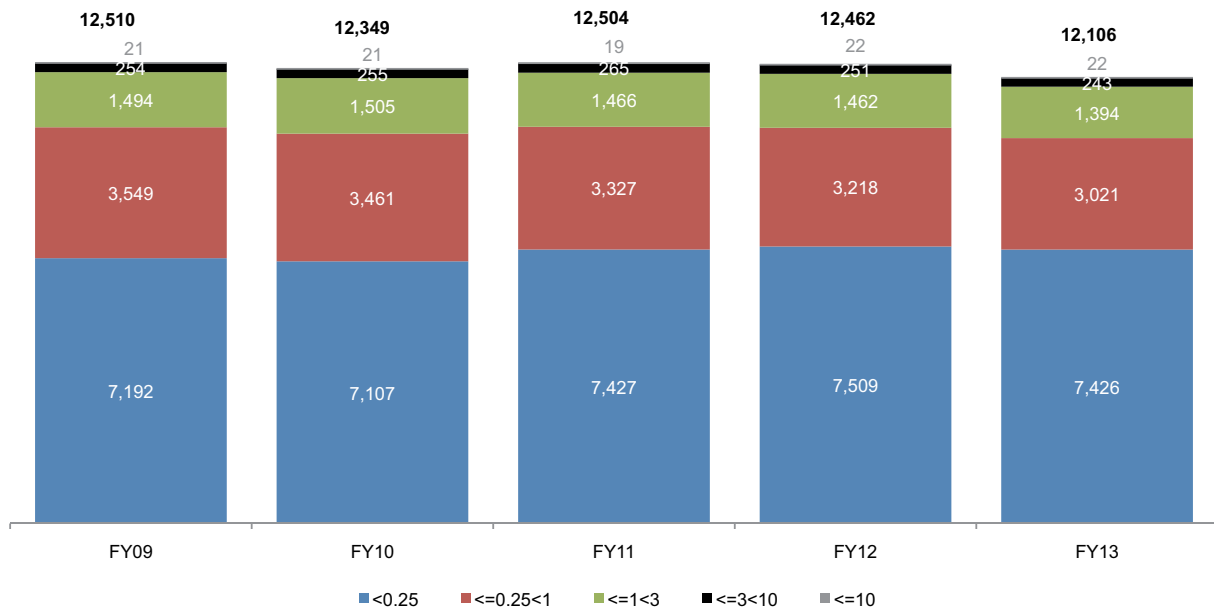
✓ Met or improved on FY13 Business Plan targets / Achieved KPI	0%
± Improved on FY12 but failed to meet FY13 Business Plan targets or materially completed outside the time	0%
× Failed to improve on FY12 and failed to meet FY13 Business Plan targets	100%

Owners

KPI 33: Number of Owners

In FY13 there were 12,106 unique owners with a participatory interest in a horse that started in at least one race. This was a reduction of 356 (2.86%) on FY12 and 398 (3.18%) less than the FY13 Business Plan target.

Chart 14.1 Owners by combined ownership shareholding of horses racing FY09 to FY13



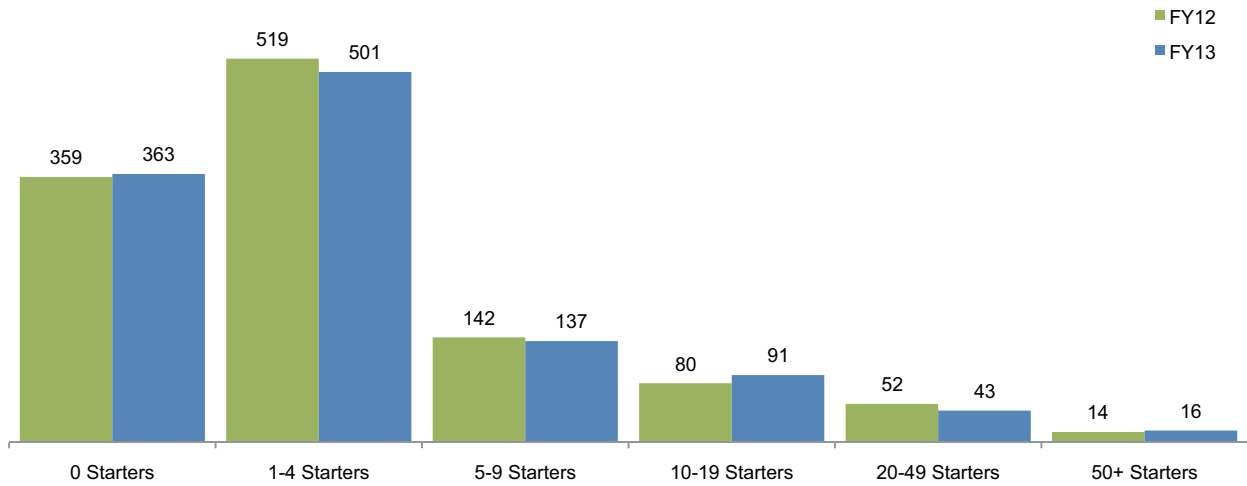
During FY13 NZTR continued to work with Socialize and NZTM in the development of ownership opportunities based around the Social Racing Website as detailed in the marketing section.

Trainers

In FY13 the total number of registered trainers:

- was 1,151 a decrease of 15 (or 1.3%) compared to 1,166 in FY12
- who started at least one horse in a race was 788 a reduction of 19 (or 2.4%) from 807 in FY12
- who did not have a horse that started during the year was 363 an increase of 4 (or 1.1%) compared to 359 in FY12

Chart 14.2 Trainers by Number of Individual Horses that Started in a Race in FY13 vs FY12



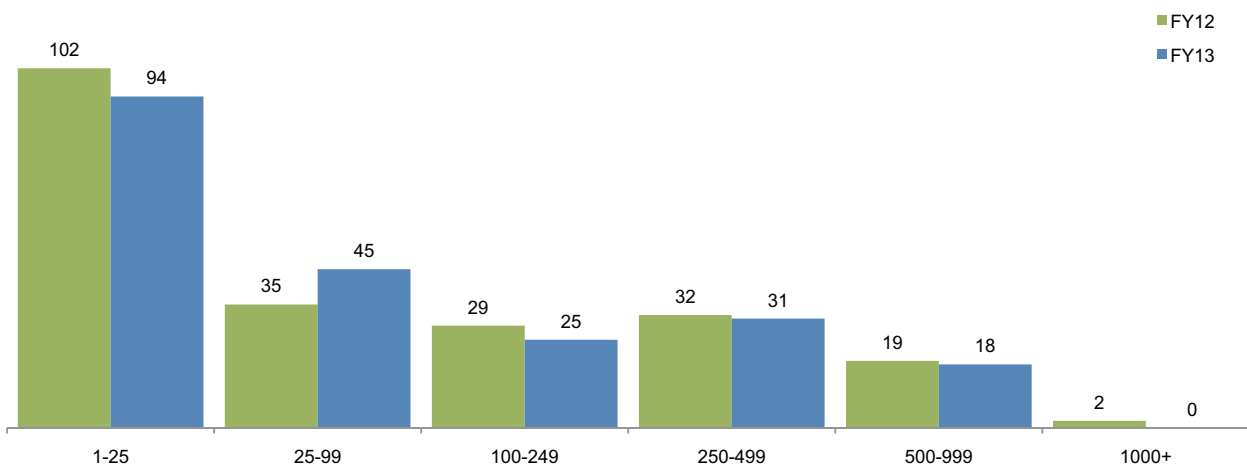
In FY13:

- 16 trainers started 50 or more individual horses in at least one race, providing 21.1% of total starts
- 59 trainers started 20 or more starters individual horses in at least one race, providing 44.0% of total starts
- 150 trainers started 10 or more starters individual horses in at least one race, providing 66.6% of total starts
- 287 trainers started 5 or more starters individual horses in at least one race, providing 83.1% of total starts

Jockeys

In FY13 the total number of registered jockeys and apprentices was 213 a decrease of 6 (or 2.81%) compared to 219 in FY12.

Chart 14.3 Riders by number of rides FY13 v FY12



ACC Levies

ACC costs continue to be a major burden on trainers and, therefore, owners. Steep increases saw the levy rate rise from 6.28% in FY08 to a peak of 11.17% in FY11. NZTR has invested time and effort, in consultation with ACC, in understanding and defining thoroughbred industry claims.

The levy is now staging a welcome reversal to 9.58% in FY12, 6.91% in FY13 and will be 5.94% in FY14. As was the case last year, this reflects welcome improvements in ACC's overall funding position, improved work practices within our industry, and a more accurate definition of the nature of employee risk.

Rules of Racing amendments – Payments to Trainers and Jockeys

In FY13 NZTR amended the Rules of Racing regarding inconsistencies relating to the payment of prizemoney percentages to trainers and riders and to the long-standing practice of NZTR (on behalf of Clubs) paying prizemoney in three components, directly to owners, trainers and riders. NZTR is now working through with the Inland Revenue the GST consequences of the proposed changes, being NZTR on behalf of Clubs could recover all GST added to trainer and rider payments. NZTR remains committed to proceeding with these changes and to operating in accordance with the law and the Rules of Racing. It is likely NZTR will seek to have the matter resolved by a court before implementation can be completed.

The FY13 Business Plan established the following Key Performance Indicators for Breeding:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY12 RE-ESTIMATED	FY13 FORECAST	FY13 ESTIMATED	RESULT
34 Live foals	4,074	4,141	4,026	×

✓	Met or improved on FY13 Business Plan targets / Achieved KPI	0%
±	Improved on FY12 but failed to meet FY13 Business Plan targets or materially completed outside the time	0%
×	Failed to improve on FY12 and failed to meet FY13 Business Plan targets	100%

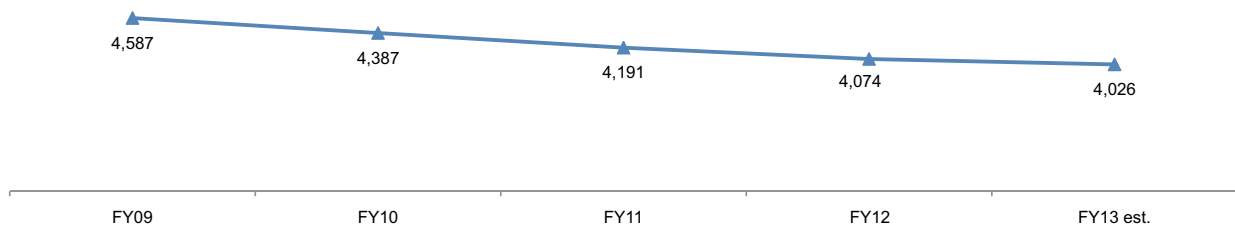
In FY13:

- 5,365 individual mares were served
- estimated live foals will total 4,026, which is 48 less than FY12
- live foals registered at 31 July 2013 totaled 3,676, which is 23 more than the foals registered at the same time in FY12
- live foals from mares served at 31 July 2013 is estimated to be 70.9%, which is 2.6% better than FY12

In FY13 New Zealand-bred horses accounted for:

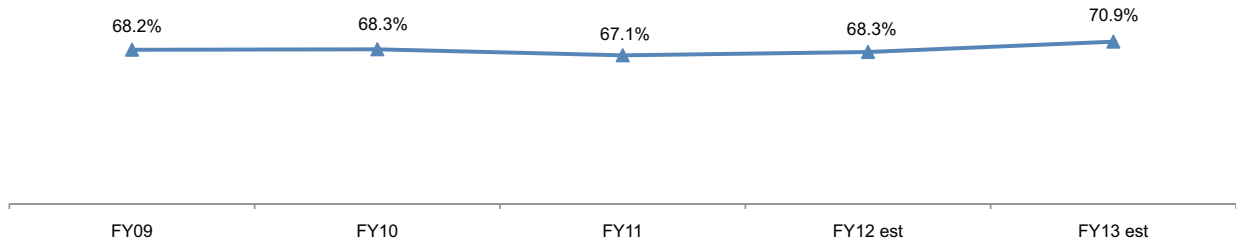
- 5.6% of horses racing in Australia and won 6.2% of all Australian races including 14 of 69 (20.3%) of Group 1 events and 11.5% of black type races
- 33.7% of horses racing in Hong Kong and won 32.3% of all Hong Kong races including 5 of 34 (14.7%) of black type races
- 34.9% of horses racing in Singapore and won 36.6% of all Singapore races including 12 of 45 (48.0%) of black type races

Chart 15.1 Live foals FY07 to FY13



Note: Prior year numbers vary slightly from those published in the 2013-15 Business Plan due to prior year data being updated over the last 12 months.

Chart 15.2 Live foals from mares served FY09 to FY13



16 Intellectual Property

NZTR is strongly advocating for the introduction of race fields legislation to counter offshore bookmaker 'free-riding' – stealing our product without any payments of fees or taxes. It is this huge, unfair cost advantage that allows them to offer better odds rather than any lack of competitiveness from the TAB.

The NZRB estimates that over \$300m leaks overseas, and fixed odds betting volumes are highly sensitive to the prices set. Officials who believe the leakage is far lower are misinformed and we fully support the recently stepped up efforts by the NZRB to generate legislative change. There are clear precedents elsewhere in most other racing countries and the lack of action to date has caused considerable damage to our industry.

In FY13 NZTR:

- emphasised to the NZRB and to the Minister NZTR's deep concerns that off-shore wagering operators are accepting bets on our races but making no payment
- commissioned a report on issues impacting on New Zealand's ability to increase the value of its broadcast and racing information, including copyright protection and commercialisation opportunities. This included Australian race field's legislation and its relevance to New Zealand and international broadcasting rights, and current Australian broadcast rights negotiations between Sky Channel and TVN

17 Supporting the NZRB's Business

Maximising Returns to Industry Participants

The FY13 Business Plan established the following Key Performance Indicators for Supporting the NZRB's Business:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY12 ACTUAL	FY13 FORECAST	FY13 ACTUAL	RESULT
35 Domestic thoroughbred sales (tote and FOB)	\$421.7m	\$432.2m	\$429.4m	±
36 Domestic market share	53.8%	54.0%	53.3%	×

✓	Met or improved on FY13 Business Plan targets / Achieved KPI	0%
±	Improved on FY12 but failed to meet FY13 Business Plan targets or materially completed outside the time	50%
×	Failed to improve on FY12 and failed to meet FY13 Business Plan targets	50%

KPI 35: Domestic thoroughbred sales (tote and FOB)

FY13 domestic thoroughbred sales (tote and FOB) were \$429.4m, \$7.7m (1.8%) more than FY12 and \$2.8m less than the FY13 Business Plan forecast.

The thoroughbred codes domestic market share was 53.3% as compared to 53.8% in FY12. Actual distribution of the code was 54.5% before NZRB service charges.

NZRB international thoroughbred totalisator and fixed odds sales for FY13 were \$477.7m, up \$50.0m (11.7%) compared to FY12.

NZRB combined domestic and international thoroughbred totalisator and fixed odds sales for FY13 were \$907.1m, up \$58.6m (6.9%) compared to FY12.

KPI 36: Domestic market share

The thoroughbred code's domestic market share decreased 0.5% from 53.8% in FY12 to 53.3% in FY13.

Prize money increases

In supporting the NZRB's business NZTR expected to conduct 3,040 races in FY13 (the drought meant that only 3,007 were actually held). After reviewing our racing structure we expect to conduct 2,940 races in FY14, a 2.2% reduction on FY13. Races have been removed from regions and months where field size has been problematic but we will not hesitate to split races when entries are large.

In alignment with this NZTR has increased the following prize money funding from 1 January 2014:

- Premier meetings will have greater tiering that reflects both their performance and strong stakeholder feedback on the desirability of worthwhile targets to retain good horses and attract new owners. Five Iconic meetings will have \$40k minimums, 15 will have \$30k minimums, 22 will be unchanged at \$20k minimums and five will revert to Feature status.
- Feature minimums for R75 and R85 will lift from \$15k to \$17.5k and for R65 from \$12.5k to \$15k. This has been part-funded by lowering Feature Maidens to \$10k.
- Special interest funding will increase from \$100k to \$300k, with this including a component to incentivise matched funding.
- Group 2 minimum stakes will rise from \$85k to \$100k.
- Industry meeting funding will not change but free entries for Maidens and R65 were restored from 1 March 2013. We will look with interest to see if this has an impact on starter numbers.

Chart 17.1 NZRB Gross International Royalties and Domestic EBIT Performance

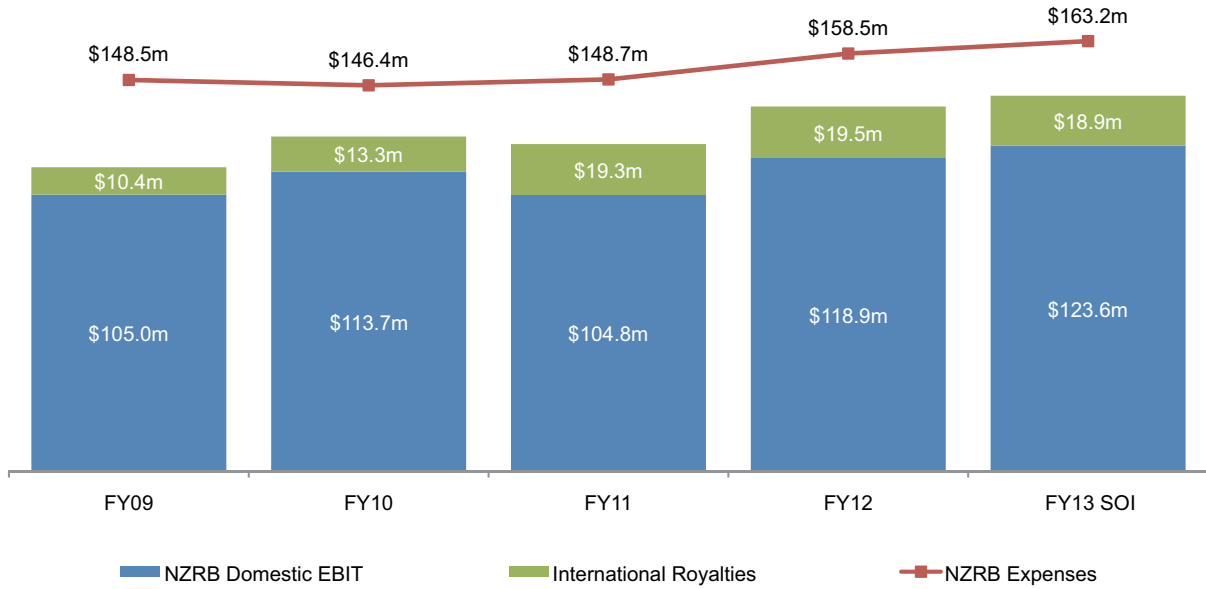
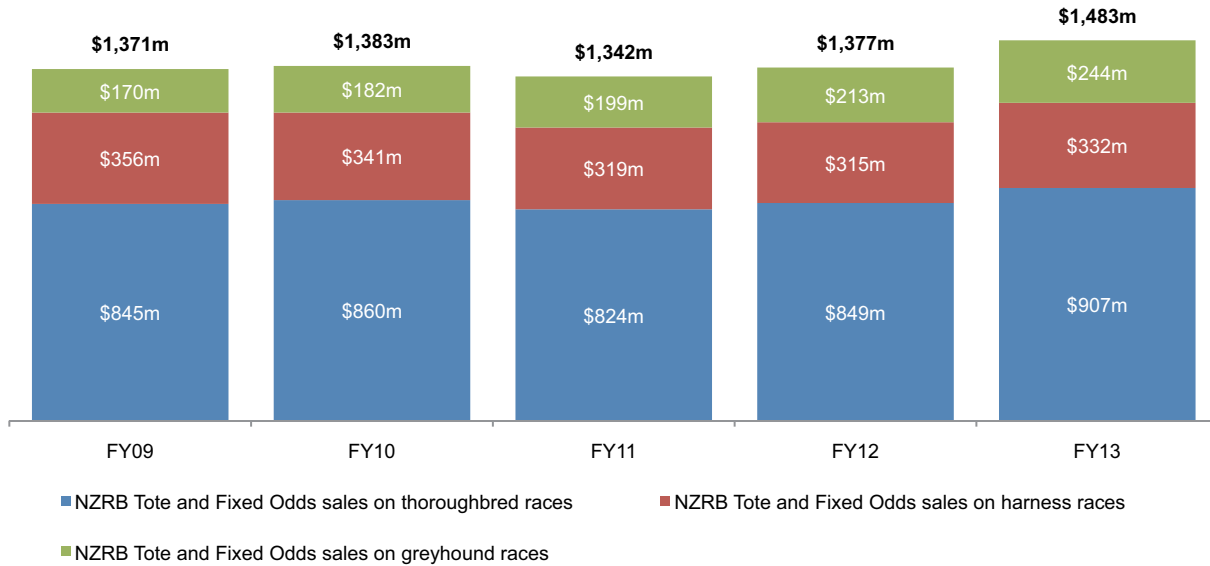


Chart 17.2 Totalisator and Fixed Odds sales on all Domestic and International Events (Imported Races) FY09 to FY13



18 Industry Governance

Increasing Efficiency and Effectiveness

The FY13 Business Plan did not set any specific Key Performance Indicators for Industry Governance.

In FY13 NZTR held:

- 7 Board Meetings were held in person and 3 by conference call
- 6 Integrity Committee Meetings were held in person and 4 by conference call
- 6 Appointments & Remuneration Committee Meetings
- 7 Audit & Risk Committee Meetings
- 2 meetings were held between the Board and the Members' Council

The Company Secretary maintains a Register of Directors' Interests. Board members with perceived or real conflicts of interest are excluded from Board discussions and decision making.

In FY13 the Board reviewed:

- the NZTR Board Charter
- the NZTR Board Code of Conduct

The Appointments & Remuneration Committee:

- reviews all expense claims of the Chairman and Chief Executive
- oversees a formal performance review process for all NZTR staff

NZTR reviewed its Delegated Authority Policy for expenditure for the Chairman, Chief Executive, senior managers and staff.

19 Section 16 of the Racing Act 2003

Increasing Efficiency and Effectiveness

The FY12 Business Plan did not set any specific key performance indicators for Section 16 of the Racing Act.

No normal business would allocate resources between its divisions based on their respective revenues without regard to the capital they employ or their profitability.

Given the enormous fixed costs of opening the TAB for business each day, it is difficult to believe that the average thoroughbred race with a domestic turnover of \$143,000 has the same profit margin to the NZRB as the much lower turnover per race codes. The simplistic revenue share basis of Section 16 ignores the much higher margins that thoroughbreds provide the NZRB and which we need to be paid to cover our higher capital costs.

With the support of the NZRB, HRNZ and GRNZ, NZTR succeeded in getting agreement to a new Inter-code agreement in July 2011. The agreement is reviewed annually and expires on 31 July 2015. A number of elements were reviewed in FY13 particularly with regard to recognising that, while field size is an important driver of wagering, actually conducting the targeted number of meetings/races and minimising the number of fields with less than eight starters are at least as important.

20 Government Relations

Promoting the Sport of Thoroughbred Racing

The FY13 Business Plan did not set any key performance indicators in relation to government relations.

In FY13:

- The Chairman and Chief Executive have met with the Minister for Racing, the Honourable Nathan Guy. The Chief Executive has a regular scheduled meeting with Ministerial staff.
- NZTR held a function at the Wellington Cup which was attended by the Racing Minister and a number of other MPs from the National, Labour and New Zealand First parties, local government personnel and ambassadors representing countries with close alliances to our racing industry.
- The recent NZTR Horse of the Year Awards dinner held in Hamilton was attended by the Racing Minister, the Labour Party racing spokesman, Mr Ross Roberston, and four MPs with Waikato constituencies – Sue Moroney, Tom Macindoe, Lindsay Tisch and David Bennett.

It is clear some of NZTR's goals will require political involvement and assistance and we are determined to present our case in a balanced and consistent manner.

21 NZTR Governance, Accountability and Transparency

Increasing Efficiency and Effectiveness

Effectiveness

The FY13 Business Plan established the following Key Performance Indicators for NZTR Governance, Accountability and Transparency:

	BASE	KEY PERFORMANCE INDICATORS		PERFORMANCE REPORT
	FY12 ACTUAL	FY13 FORECAST	FY13 ACTUAL	RESULT
37 NZTR operational expenses (excl. marketing and special projects)	\$5.45m	\$5.80m	\$5.78m	✓
38 Website engagement: Visits per annum to NZTR website	3.17m	3.32m	3.37m	✓
39 Individual transactions made through Trainers' Service Centre as a % of all transactions	39.3%	44.0%	40.3%	±

✓ Met or improved on FY13 Business Plan targets / Achieved KPI	66%
± Improved on FY12 but failed to meet FY13 Business Plan targets or materially completed outside the time	33%
✗ Failed to improve on FY12 and failed to meet FY13 Business Plan targets	0%

KPI 37: NZTR operational expenses

In FY13 NZTR's total operational expenses were \$5.78m, up \$0.33m (6.1%) from \$5.45m in FY12 but \$20k (0.34%) less than the FY13 Business Plan forecast amount.

KPI 38: Website engagement: Visits per annum to NZTR website

www.nzracing.co.nz attracted 3.37 million Visits in FY13, an average of 6.27 page impressions, and average visit duration of 6.53 minutes. The number of visits to the website is an increase of 200,00 visits on FY12 or 548 more visits for every day of last season.

In FY13 (December 2012) NZTR released a major upgrade of its website, designed to enhance usability, search and navigation and provide improved video and social media integration. Work is also advanced on subsequent releases to:

- Significantly enhance the on-line Trainers' Service Centre and on-line Breeders' Service Centre
- Introduce an Owners' Service Centre
- Improve and customise horse form and fields

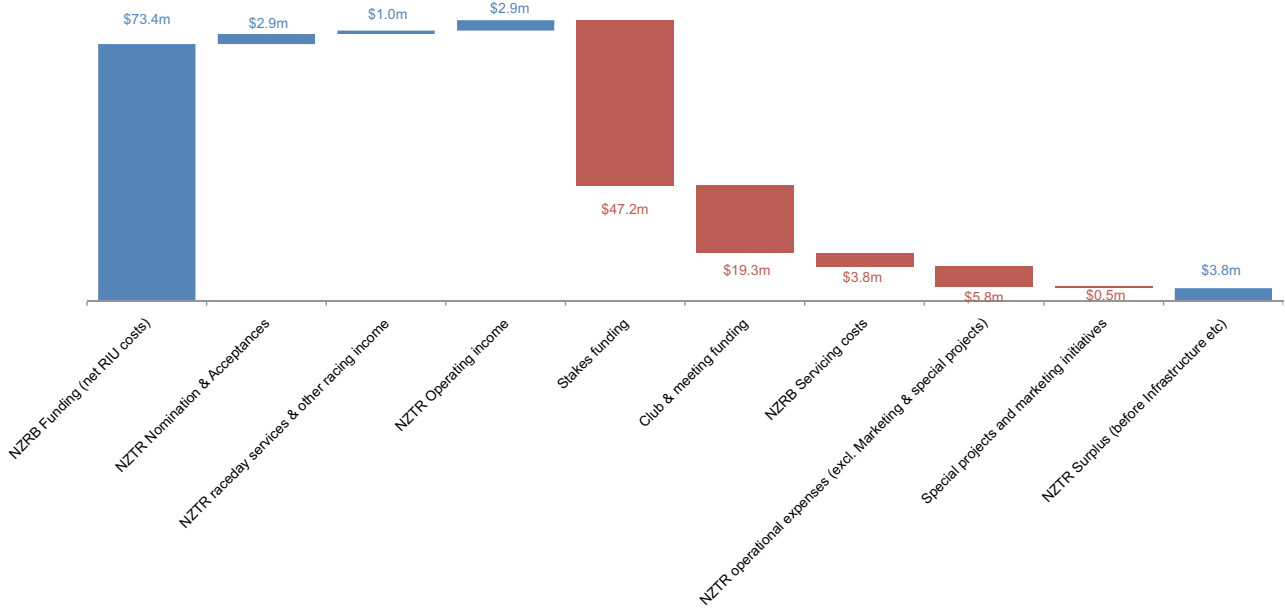
In FY14, video and written content will be further upgraded, form presentation will be improved, accurate sectional timing information will be provided, an inadequate presence on social media will be remedied and considerable cost savings from using the site as a service centre for participants will be realised.

KPI 39: Individual transactions made through Trainers' Service Centre as a % of all transactions

Individual transactions made through the Trainers' Service Centre as a % of all transactions increased 1.0% from FY12 to FY13 but fell short of the 44.0% forecast.

In FY13 NZTR further improved this online service for trainers, which will aim to allow trainers to easily reach new and current owners by providing video and other information about their horses in one go-to portal. The sheer size of our audience gives us some very interesting commercialisation possibilities, with past efforts being unsatisfactory but significant potential being evident.

Chart 21.1 NZTR Sources and Applications of Funds FY13





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